

U.S. Suspects China Aids Iran on Arms

Aides Think Beijing Is Behind 'Subtle' Atomic Weapons Plan

By Jim Mann
Los Angeles Times Service
WASHINGTON — Although a recent inspection found no evidence of nuclear weapons research, American officials say they believe Iran is engaged in a determined, long-term effort to develop nuclear weapons with the help of technology from China.

In the last few years, China has provided Iran not only with technology similar to that used by President Saddam Hussein of Iraq in developing nuclear weapons but also with a mini-reactor and other items useful for nuclear weapons research.

"I don't think the Iranians are going about it in such a brutish fashion as Saddam Hussein," one State Department official said. "Their program is much more subtle and long term."

Iran now ranks, along with North Korea and the Commonwealth of Independent States, among the top concerns of American officials worried about the spread of nuclear weapons.

The director of central intelligence, Robert M. Gates, testified in Congress last month that Iran was building up its special weapons capability as part of a massive "effort to develop its military and defense capability." Iran is looking to China to supply missiles and nuclear technology, he said.

China contends that all of its nuclear help to Iran has been above-board and that the plants it is helping Iran develop comply with the legal safeguards of the International Atomic Energy Agency. A Chinese Foreign Ministry spokesman said in November that although China had supplied Iran with nuclear technology, it was "only for peaceful purposes."

But American sources said the Bush administration recently had urged China at "very senior levels" to stop helping Iran's nuclear program.

"We're trying to tell the Chinese that in this case, you've got to go beyond the letter of the law," an administration official said, referring to the atomic energy agency safeguards.

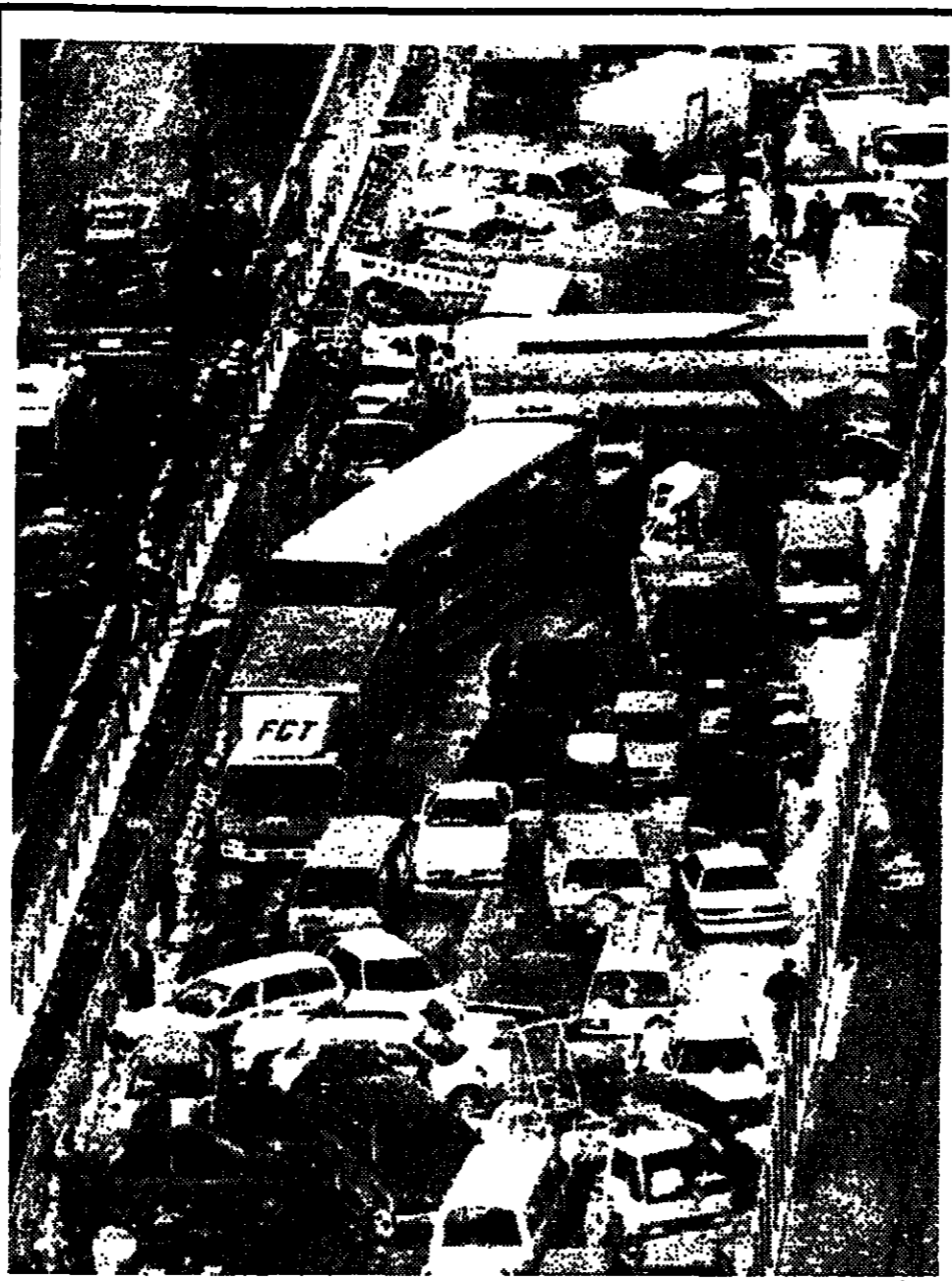
From Feb. 7 to 12, four inspectors of the atomic energy agency toured six Iranian nuclear plants and found no evidence of a weapons program. The activities "were found to be consistent with the peaceful application of nuclear energy," the agency said in its report.

But the report noted that its conclusion that Iran's purposes are peaceful was limited to the sites visited by the team and only for the six-day period of the visit. American officials said the agency's report was very carefully worded and did not contradict their view that Iran has embarked on a plan to develop nuclear weapons.

An American official said that "these courtesy visits" by the atomic energy agency "do not have the same standing as a special inspection."

In a special inspection, the agency has the right to ask to see whatever nuclear plants it wants, on short notice. By contrast, the recent visit by the international team toured only sites arranged in advance, with the government of Iran.

Further, American officials said there was substantial evidence that Iran was interested in techniques, such as the enrichment of uranium and reprocessing of plutonium, that are not needed for civilian nuclear purposes but are important for developing nuclear weapons.



DEADLY JAM-UP — Some of about 80 vehicles involved in a chain collision Tuesday on a highway near Sapporo in northern Japan. Two people were killed and 37 injured in the accident.

Australian Repeats Stab at U.K.

Compiled by Our Staff From Dispatches
MELBOURNE — Prime Minister Paul Keating took a new swipe at Britain on Tuesday and renewed his push for an Australian flag free of British symbols.

Mr. Keating said that Australia could not include the British Union Jack as part of its flag much longer if it wanted to be certain of its place in the world.

"A nation eternally uncertain about its representational image is of course a nation uncertain of itself," he said.

"We can't fly two symbols of our nationhood much longer."

Australia's flag includes the Union Jack in one corner, symbolizing the role of the British monarch as Australia's titular head of state.

Mr. Keating later said that any change to the flag would be a result of community feeling, not a government initiative.

Mr. Keating repeated remarks made last month during a visit from Queen Elizabeth II, when he called for Australia to take a new independent stance, free of historical shackles.

He also renewed an attack on Britain for deserting Australia in World War II. Speaking in a radio interview, he said: "Our sacrifice in World War I for Britain was not responded or reciprocated in kind in World War II."

Mr. Keating denied that he was singling out Britain for criticism.

"My complaint is with people here," he said. "Australians who not only can't grasp the future, but can't grasp properly and sensibly the past. They do not understand enough about the past to let that influence the future." (Reuters, AP)

Chinese Daily Carries a Hint 'Blaze Trails' or Get Out, Official Press Says

Compiled by Our Staff From Dispatches
BEIJING — An influential newspaper said Tuesday that officials who blocked economic reform should be dismissed, a sign that a power struggle could lead to major personnel changes.

"We must resolutely dismiss from their leading positions those officials who lack the spirit of blazing new trails, who are incompetent and mediocre and cannot make new developments," a signed article in Economic Daily said.

"By dismissing one person we might be able to move a group," it said.

Almost nothing appears in China's press by accident. Although signed articles lack the authority of editorials, they often are used to advance the cause of powerful interests in a dispute, in this case those of Deng Xiaoping, the senior leader, who has argued for renewed economic reform.

The article appeared in advance of the annual session of the nominal legislature, the National People's Congress, at which proposals of change were expected to consolidate positions, sources said.

Government leaders were preparing a series of strongly pro-reform statements to deliver to the National People's Congress, which opens its yearly plenary session Friday, the sources said.

The principal speeches at the session will maintain China's adherence to communism and not reach much beyond a policy statement issued last week by the Politburo, the last week, who are familiar with advance texts.

But the tone of the leadership pronouncements will be set firmly in place the renewed commitment to reforms begun in January by Mr. Deng, who initiated the program in the late 1970s.

"The emphasis will clearly be on reform, more and faster," said one source who has seen some of the advance texts. "We will have to wait until after the congress to see what it really means."

For example, according to one advance speech text, an economic policy official, Deputy Premier Zou Jiahua, will tell delegates that among the guiding tasks for 1992 is to "quicken the pace of reform and open further to the outside world."

Nearly 3,000 delegates will take part in the congress session, which supposedly rules on legislative matters but in fact approves policies made in advance by Communist Party leaders. More decisive action was expected at a party congress later this year.

The case for the hard-liners who oppose more flexible economic management was weakened Tuesday with the report that Li Xian-nian, an opponent of the Deng reforms, had been hospitalized and would probably not attend the session. (Reuters, UPI, AP)

Burmese Troops Clash With Thai Force at Border

United Press International
BANGKOK — Burmese forces on an offensive against ethnic rebels intruded into Thailand on Tuesday, setting off a gun battle with Thai troops that left at least eight soldiers dead and three wounded, the police said.

Thailand immediately warned that it would take "drastic action" if Burmese incursions continued. "We will not allow anyone to violate even one square inch of our territory," the Thai interior minister, General Issarapong Noon-pakdi, said during a visit to border units.

Policemen in northwestern Mae Hong Son Province said the Burmese retreated across the border after the clashes on Tuesday.

The Mae Hong Son police chief, Colonel Prasong Yenbamrung, said in a telephone interview that about 300 Burmese troops battling Karen guerrillas in southeast Burma crossed the border at Ban Doi Seang, 420 miles (675 kilometers) northwest of Bangkok.

About half a mile inside Thailand, the Burmese encountered a unit of about 150 Thai troops, who had been sent to repulse the incursion, Colonel Prasong said.

Iraq Paper Assails Belt-Tightening

Reuters
BAGHDAD — A Baghdad newspaper attacked the government for failing to control prices on Tuesday, saying Iraqis were sick of being told to tighten their belts to offset the effects of UN sanctions.

In rare criticism of the government, the daily Al Iraq said it was failing to stop a rise in black-market prices for basic commodities.

"The only thing some officials do to combat price rises is to urge people to tighten their belts further," Daoud Farhan wrote in the newspaper.

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New Malaria Strain in Cambodia Prompts Fears

By Boyce Rensberger
Washington Post Service
WASHINGTON — A new strain of malaria that is resistant to all the standard drugs used to cure the disease has emerged in Cambodia and could spread to other parts of the tropical world, according to the World Health Organization.

The fear of its spreading is especially acute, a WHO spokesman said, because the first of about 22,000 soldiers and civilians of a United Nations peacekeeping force are now entering the affected region, near Thailand.

The UN forces, health officials fear, could carry the new strain with them when they return to their homes all over the world. Those who return to tropical countries could carry the parasite, a one-celled protozoan, in their blood, which could then be transmitted by mosquitoes in their home countries.

The World Health Organization said about 360,000 Cambodian refugees now in Thailand were also at risk. They are expected to return to their homes in the affected region within the next few weeks.

"It's a potentially scary situation," said Dyan Wirth of Harvard University, who heads a malaria research program jointly sponsored by WHO, the World Bank and the United Nations Development Program.

Mr. Wirth said the only treatment available for people who get the new strain of parasite is a 14-day course of quinine and the antibiotic tetracycline. Whereas the standard drugs are administered in a single dose, the multidose regimen is difficult to maintain under Third World conditions. Also, both drugs are in short supply in Cambodia.

Mr. Wirth said the new strain had emerged in a region that appears to foster malaria parasite evolution. It was there in 1959 or 1960, researchers believe, that the parasite mutated in a way that gave it resistance to chloroquine, a drug that had been used for about 20 years to cure the disease. In ensuing years, chloroquine-resistant strains of the parasite spread throughout the tropics.

Several other drugs have been developed to use where chloroquine fails, but each was eventually defeated by a strain of the parasite. Fansidar, once a highly touted combination of two drugs, lasted for only two or three years before resistance arose and began spreading.

The result has been that different malaria zones around the world have different combinations of parasite strains, including some with no resistance, some that can fend off one drug and some that are invulnerable to several drugs.

About 270 million people, most of them in Africa, have malaria and from 1 million to 2 million of them die of the disease each year.

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Israel and America

Press reports tell of official American concern that Israel has repeatedly sold sensitive American military technology to third countries without the requisite American authorization. The Israelis deny it all. If the reports are confirmed, then a new burden will have been added to a relationship that remains strong and resilient but that cannot possibly serve either country well if it continues to be so freighted. The United States, in sharing cutting-edge technology, counts on Israeli respect for American terms. To have it nailed down that Israel traffics in American technology with China, South Africa and others would severely erode American respect for the Israeli word.

This is not the first episode, even the first recent episode, to tax American confidence in Israel. The source is clear enough. It is not, as some bitter Israeli officials and others charged, that American officials are gunning for Israel to enforce compliance with what the besieged Israeli government regards as wrongheaded American diplomacy. It is that Israel is a small dependent country living in dangerous circumstances and whose successive governments have fallen into a habit of taking American support for granted.

Support Venezuela

A month after dodging assassination during a military coup attempt, President Carlos Andrés Pérez of Venezuela still fights for survival. He has struck back with political reforms meant to revitalize one of Latin America's oldest democracies. The United States, with a strong interest in his success, can help. No economic belittlements are needed, just more consistent political engagement and follow-through on existing initiatives.

Foreign commitments are not a high priority with U.S. voters this year, but middle-income countries like Venezuela are not looking for handouts. They seek commercial investments and free access for their goods in world markets. Washington can encourage investment by more adequately financing the seed money projects of the Enterprise for the Americas program. And it can help Venezuela reduce its dependency on oil by successfully concluding the Uruguay Round trade negotiations.

One Woman in Nine

An article that appeared Sunday in The New York Times criticized the dissemination of statistics on breast cancer, suggesting that doctors misunderstand their implications and are unnecessarily frightening women. The American Cancer Society, which put out the statistics in question, has countered with a clarification renewing its plea that women take this threat seriously and personally and then take steps toward early detection.

increase with age. By the age of 45, for example, only one woman in 90 will have had the disease, but after 50 the risk rises rapidly. No one should be panicked by these numbers. By the age of 85, after all, everyone will have contracted a number of illnesses, and most will have died of one of them.

Race and the Democrats

The issue of race has long divided American society and does so today. Republican exploitation of the issue simply made matters worse. Yet the Democrats who aspire to the White House, with one exception, have paid little attention to race.

though Mr. Tsongas has long demonstrated a personal commitment to racial equality and justice, he has chosen over to stress his program for economic growth instead. Jerry Brown also has excellent credentials as a conciliator, but he, too, has emphasized economics.

A Joint Force For Europe

By Jim Hoagland

PARIS—France and Germany have reached agreement on the shape and the missions of a European force that would eventually take over many defense tasks now performed by American troops in Europe. Hoopay. And oh no. But more hoopay this time than oh no.



'What North Korean Scud missile freighter?'

Why should Americans regret Western Europe organizing its own defense and cutting the defense burden that American taxpayers bear? You would think there would be champagne corks popping in Foggy Bottom and at the Pentagon. But you would think wrong.

The Atlantic Establishment at the State and Defense Departments believes that America's global leadership depends on the U.S. presence in Europe and specifically on America's role in NATO. Whatever helps Europe turn into a unified bloc resistant to American leadership causes quivering choruses of "Oh no."

Their stand should strengthen the hand of Chancellor Helmut Kohl, who has said he wants to change the constitution to enable Germany to take part in "out of area" actions.

People's Representatives Aren't Supposed to Serve Themselves

By David S. Broder

CHICAGO—The House bank scandal is one of those stories that seemingly requires no explanation. Everybody can understand penalty-free check bouncing. That is what makes it so damning—and so easily distorted.

work of legislation. And, of course, it has developed the art of individual fund raising to epic proportions.

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Fancy Meeting You Here: The Twain Busy in the Middle East

By John K. Cooley

NICOSIA—The United States and Europe should reconcile themselves to major new challenges from Tokyo for control of oil and markets in the Gulf region. Japanese companies, entrenched in Iran since the late 1940s (when the late Shah expressed his admiration for the achievements of the Japanese empire), are also moving aggressively on the Arab side of the Gulf.

American and British companies, then struggling with the Italian oilman Enrico Mattei's revolutionary 50-50 formula—half for the host country, half for the oil company—experienced shock. The Japanese struck a similar deal with Kuwait. They soon drilled into one of the biggest offshore oil systems in the world.

defenders of the Saudi kingdom could deprive them of market shares. It could also exclude billions of dollars in non-American investments.

Peace and Demoralization in Lebanon

By Ramez Maluf

ATHENS—I returned last week from my third trip to Lebanon since the civil war ended in October 1990. After 16 years of vicious warfare, during which even the trip from airport to home could be a grim adventure, Beirut is alive with traffic jams; taxi drivers are again bold enough to take a visitor anywhere.

pond remains at around 1,100 to the dollar. Lebanese economists like Elias Saba and Marwan Iskandar estimate that more than 80 percent of the country's investment infrastructure is ruined, making it next to impossible to attract serious ventures.

will first need a dream. It is up to their leaders to develop a vision—and share it with the people—of a nation capable of moving on from a sad past to a brighter future. No one is doing this today; perhaps no one in the present leadership is capable of it. For the sake of Lebanon, this must change.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Dumas Art Sale

PARIS—"No! I am not selling my pictures because I have lost money on the Bourse. Nor is it on account of an infatuation for a beautiful actress. It is simply because my wife is ill, and I have resolved to take her to Marly-le-Roi, and live in my house there."

1917: New Russian Ruler

PETROGRAD—The Tsar's abdication has been made definite. In a historic proclamation to the Russian people he has relinquished the Imperial Crown not only for himself, but also signed away the right of succession for his son, Prince Alexis. He bequeaths the Throne to his brother,

1942: MacArthur Hailed

MELBOURNE—[From our New York edition:] General Douglas MacArthur's arrival to assume the command in the southwest Pacific was hailed jubilantly by the Australian press today [March 18] as the most important move yet by the Allies.

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OPINION

Washington's Tone on Israel Does Add Up to Conspiracy

By A. M. Rosenthal

NEW YORK — In Washington, the government of Israel received two pieces of information from the United States on the same day...

friends have the duty to say that any arms sale to Communist China is contrary to Israel's interests and stature as a democratic country...

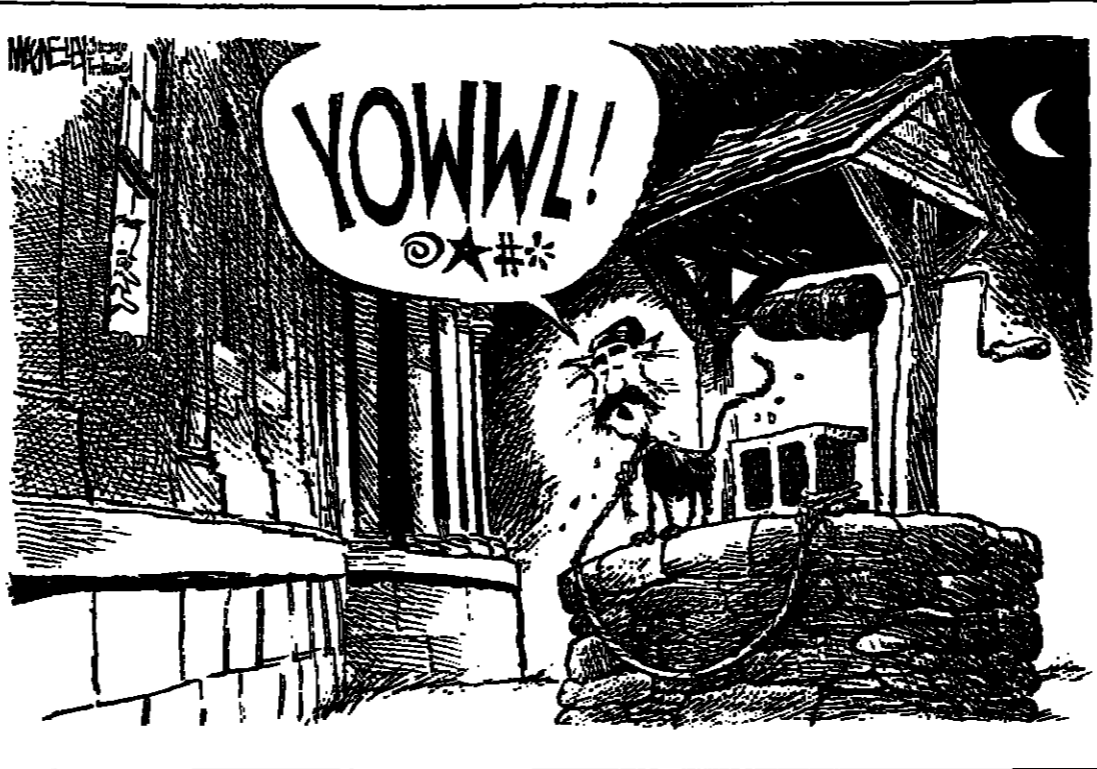
ON MY MIND

The Israelis — and American officials who think a little dirty work is well afoot in Washington...

Israel issued repeated denials — and suggestions of American spy verification. Defense Minister Moshe Arens left no loopholes in a talk with me in New York...

Dove or hawk, Israelis say they must have an arms industry, or surrender their freedom. They say Israel cannot carry a defense industry without foreign sales...

Perhaps — but perhaps Israel relies too much on arms revenue, as some of its friends believe. In any case, Israel's



Speak Up for the Journalists Who Fall in the Drug War

By Guillermo Martinez

MIAMI — The hotel phone woke me up in the middle of the night. Bernadette Pardo, a reporter, and Carlos Corrales, a cameraman, at television station WLTU, the Miami affiliate of the Spanish-language television network Univision...

The shock of the attack soon gave way to a deep anger. This was a clear assault against the free press — an attempt to silence critics by cross intimidation...

MEANWHILE

Colombia. They had been covering the war on politicians, judges and journalists in the narco-terrorists' desperate effort to prevent the extradition of drug dealers to the United States.

The image of a blood- and debris-covered Ms. Pardo at a demolished restaurant haunts me to this day.

She suffered two fractured vertebrae and a broken collar bone, and flying glass slashed the tendons in her right arm. Mr. Corrales suffered a broken ankle.

LETTERS TO THE EDITOR

Making and Keeping Peace

In an otherwise excellent opinion article ("New Age for the United Nations. Members Willing," March 12, by Stephen S. Rosenfeld, with most of which I completely agree, there was a reference to poorly conceived peacekeeping missions that drag on — like Cyprus...

The Cyprus peacekeeping operation, known as UNFICYP, is generally acknowledged to have performed very well under difficult circumstances.

Intended in 1964 for a limited period of time, it has lasted much longer. But this is not because it was poorly conceived. The resolution that created the force was based on a two-pronged approach: peacekeeping through UNFICYP, and peacekeeping through UN mediation...

The experience is pertinent elsewhere, as in Croatia today. Unless peacekeeping works in parallel with peacemaking, there is the risk of indefinite prolongation of the latter, with all the undesirable financial and political consequences.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

But in Cyprus's case, this was not due to poor conception. It was due to the refusal of one party to comply with the UN mediator's findings and the unwillingness of the international community to ensure compliance.

ANDREAS J. JACOVIDES, Bonn.

The writer, ambassador of Cyprus to Germany, was first secretary of the Cyprus mission to the UN in 1960-65.

The Aim and Others

Regarding "Japan, Land of Quiet Apartheid" (Meanwhile, March 10) by George Hicks:

I strongly agree that Japanese society has a dismal attitude toward minorities. Another example, unmentioned in your article, is the Ainu people.

Though they once lived in areas from south Sakhalin to the northern part of the Japanese mainland, they were forced in the mid-19th century to abandon their language, traditions and culture through compulsory assimilation.

1993 is supposed to be the year of the world's indigenous people. Let us hear the voices of the silent minorities and protest the lax enforcement of the International Covenant on Civil and Political Rights.

MITWA SATTO, Tokyo.

The Muslims of India

It was very refreshing to see in your March 7 edition the front-page photograph of Muslims offering prayers at a mosque in New Delhi. A country often referred to in the international media as

being mainly Hindu, India has a population of some 115 million Muslims.

As a Hindu Indian, I was pleased that you chose the world-famous Jama Masjid mosque in New Delhi to signify the commencement of the holy month of Ramadan. My appreciation to your esteemed newspaper, and best wishes to Muslims all over the world for their prayers.

L. M. JOSHI, Rome.

Read It and Shudder

Regarding the report "Senator's A-Bomb Joke Is a Dad in Japan" (March 5):

Rarely do I read something so loathsome that I feel physically ill. Senator Hollings' "joke" had that effect on me.

TIM HANSON, Frankfurt.

A Lesson About Bashing

A few days after returning to the United States from a business trip to Japan, I walked into a bank in Seattle. Noting that the teller looked Japanese, I said "good afternoon" in Japanese. The teller replied, "I don't speak Japanese."

Of course not. He was an American as I am. In fact, since I am first generation Italian-American, he could have been more American. I should have known better. I thought I did.

The point is, it is bad enough that the United States and Japan are engaged in an increasingly bitter exchange of criticism and racial slurs. But an even greater tragedy is for Americans to turn against Americans. Thousands of Japanese

Americans have not forgotten how, in World War II, they were denied their rights of citizenship and placed in detention camps. Let us not forget the lesson we should have learned.

RICHARD V. BADALAMENTE, Vienna.

Peace Through Strength

Regarding "Military Readiness — Watch the American Yo-Yo Drop Again" (Opinion, Feb. 25):

If all members of Congress understood this article by Edwin M. Yoder Jr., America might have a more realistic defense policy. Even pacifists know that only strength keeps peace. A crisis in the '90s could be history before we have time to mobilize.

The military also performs an invaluable social service by training and educating many young people who would not have a chance in civilian life. A career in the military should always be an attractive option for youth.

MARGARET G. S. LLOYD, Verplank, New York.

Smith's Relief Pitching

Regarding "Unraveling the Mysteries of 'Police Baseball'" (Sports, March 7):

For backing up your coverage of World Cup cricket with Red Smith's 1939 "explanation" of the sport, this glazed-over Yank can only say, thanks for the relief.

DON CROTON, St. Germain-en-Laye, France.

I was certain the U.S. media would take action on behalf of Mr. Pardo and Mr. Corrales. They were American journalists covering a foreign war. But hardly anyone published the story or mentioned it on the air. No journalistic organization joined the battle. Newspapers did not demand justice.

The silence was deafening, maybe because these were Hispanic journalists who work in the Spanish language, maybe because the incident happened in Colombia, where more than 50 Colombian journalists have died, and where attacks on journalists and politicians are common.

The mentality seemed to be that it just couldn't happen here. But last week it did. An assassin with a gun again struck in a restaurant.

The victim was another Hispanic journalist, Manuel de Dios Unanue, the former editor of El Diario-La Prensa.

This time the crime did not take place hundreds of miles away from the United States. Mr. Dios was killed in Queens, New York — too close for American journalists and politicians to ignore.

A free press cannot function in a climate of fear. Journalists cannot exercise their constitutional right of free speech if a well-paid assassin is in effect immune to prosecution.

It is not crucial whether Mr. Dios was killed by a narco-terrorist, militant anti-Castro groups or a Puerto Rican group fearing his latest investigation.

He was killed because he was a journalist and somebody did not like what he was saying.

Whether anyone agreed or disagreed with his politics and liked or disliked his professional style is irrelevant.

The U.S. media and journalism associations should demand that the killer be brought to justice. We should demand that federal officials enter the case, because an attempt to intimidate the press is an attack on the constitutional guarantee of free speech and because only the government has the resources for a full investigation. Perhaps the New York Police Department's request for federal cooperation will bear fruit.

But if the media treat the Dios murder the way they did the assassination attempts in Colombia, Mr. Dios may well not be the last journalist in the United States to die for a free press.

The writer is vice president for news operations at the Univision network. He contributed this view to The New York Times.

Getting at the Truth

IF ISRAEL illicitly transferred U.S. arms technology to China, it not only broke faith with its major ally but perhaps put American security at risk. If, as some in Israel claim, the leaked allegations are part of a campaign to weaken the bilateral relationship, then that too must be exposed, the sooner the better.

The story about the Patriot missile is both the most serious allegation raised and the least credible. Israel for years has had a weapons relationship with China. At the same time China supplies missiles and other weapons to such enemies of Israel as Syria and Iran. For Israel to give China access to Patriot technology, which could permit China to improve the survivability of the missiles it sells to Syria and others, would be madness.

Is the story a malicious fabrication? It is vital that Washington and Jerusalem cooperate to begin providing answers.

—Los Angeles Times

Themelves

And, of course, it is the duty of every citizen to be informed of the actions of his government. But it is the duty of the government to provide information to its citizens. It is not the duty of the media to provide information to its readers. It is the duty of the media to provide information to its readers. It is the duty of the media to provide information to its readers.

Middle East

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PRIVATIZATION IN EASTERN GERMANY

Taking Stock of the Treuhandanstalt: One Agency, Many Different Roles

In the last 21 months, the Treuhandanstalt has privatized some 5,500 manufacturing and service companies and nearly 15,000 retail outlets, securing over 100 billion Deutsche marks (\$62.5 billion) in investment in Eastern Germany and guaranteeing over 1 million jobs.

The Treuhandanstalt is also one of Germany's largest and most innovative finance houses. Its commercial paper program, led by Paul Hadrys, will raise some 30 billion DM this year and was recently awarded the highest honors by the International Financial Review. After surveying thousands of sites and applying hundreds of laws regulating pollution and waste cleanup, the Treuhandanstalt's specialists are in demand as environmental experts and conference leaders. The Treuhandanstalt has successfully clarified tens of thousands of restitution claims; its lawyers have helped advance the implementation of Germany's laws on property rights. The Treuhandanstalt is active in East European trade and East German social security compensation; it holds equity in 250 job-creation programs.

In terms of raw numbers, the privatization of Eastern Germany is at the halfway point, but the Treuhandanstalt is actually much further along than that. Nearly all the rest of the companies still in its care now have comprehensible Western-style balance sheets and have been freed from crushing debt loads; most have carried out environmental assessment and personnel adjustment plans.

Most important, the agency can now avail itself, in the words of its president, Birgit Bruel, of "a unique know-how" in the privatization and selling of its remaining companies.

Two years ago, very little was known about privatization in East Germany except that it was a desperate necessity. Everyone was well aware of the prohibitive economic and environmental inefficiency of the country's 270 Kombinate (vertically integrated public-sector holding companies) and 8,000 VEBs (individual economic units); no one knew even where to begin with the transformation process.

One wonderfully simple idea was to transform the Kombinate into joint-stock companies

by affixing the suffix "AG" (Aktiengesellschaft) to their corporate names and to set up East Germany's citizens as their shareholders. This was the premise of a March 1, 1990 directive by the Modrow regime setting up a "Treuhandanstalt," or trust agency, "to administer the people's property" and to shepherd the ex-Kombinate toward the private sector.

Understaffed and uncertain

markets fell apart overnight; the Treuhand came up with 25 billion DM in credit guarantees to equip the newly converted companies with working capital. These companies started out their new lives owing 70 billion DM to East Germany's central banks. To stabilize the entire East German financial system, the Treuhandanstalt assumed responsibility for the private sector.

PRIVATE SECTOR, PUBLIC FIGURES

- 5,500 companies have been privatized.
- 1 million jobs in the private sector have been created by the Treuhand in 18 months.
- Over \$90 billion in investment has been committed to Eastern Germany.
- 700 real-estate parcels have been sold by the Treuhand for \$1.1 billion.
- 80 percent of the retail sector in Eastern Germany has been sold to East Germans.
- 250 non-German companies have invested \$6.57 billion in Eastern Germany.
- 300,000 viable companies have been founded in Eastern Germany since November 1989.

how to proceed, the initial Treuhandanstalt did not get very far. On June 17, 1990, East Germany's parliament passed a law reconstituting the Treuhandanstalt. The revamped agency was entrusted with the Kombinate and VEBs, as well as the holdings of the Stasi, the East German army and a variety of other official and semi-official organizations. All told, 40 percent of the country's surface and 50 percent of its work force was put in the Treuhand's care. The new agency was given a simple mandate: to build a private sector in East Germany and secure the livelihoods of four million people.

On July 3, 1990, the Treuhand's new managing board was ceremoniously convened for the first time. It was the last peaceful moment the agency was to know for some time.

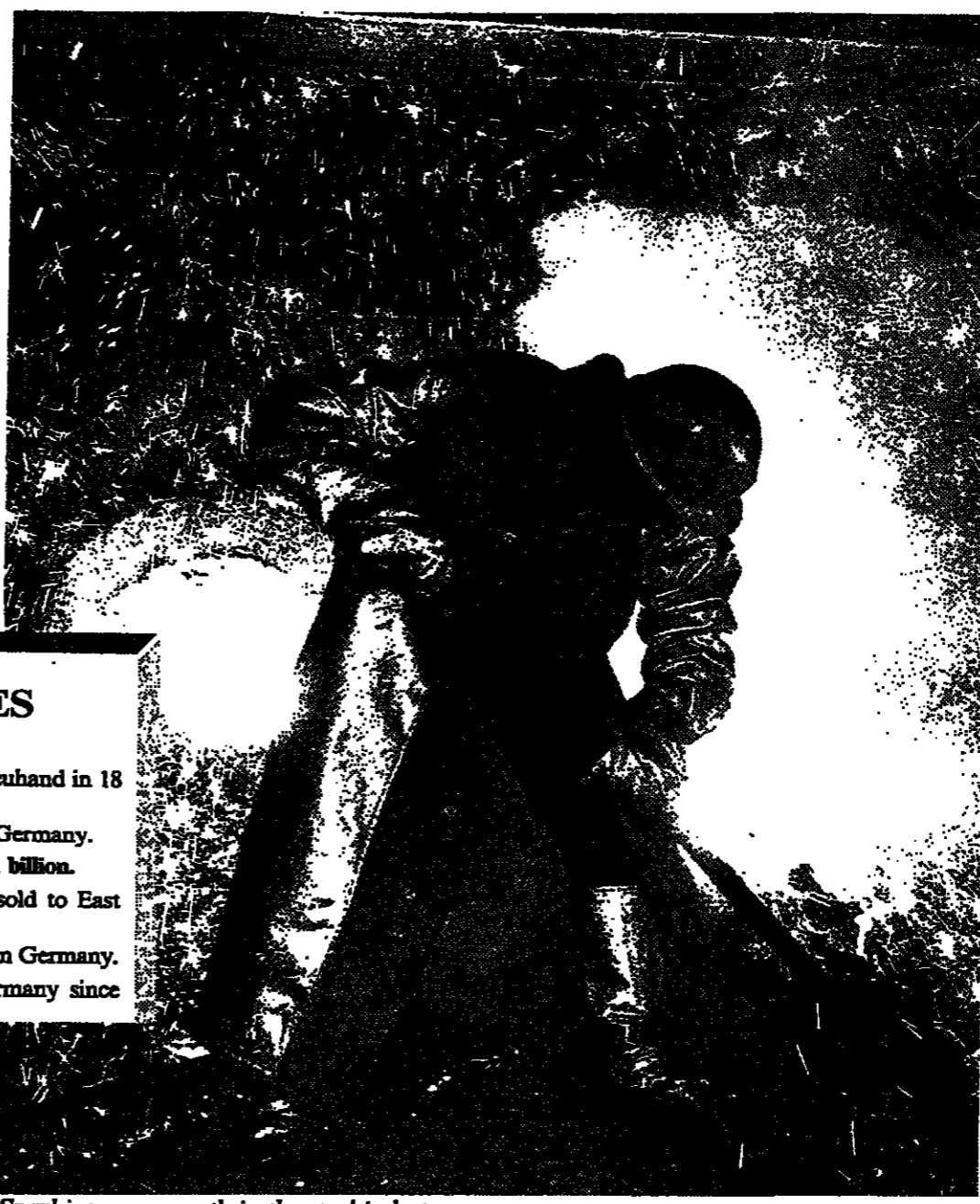
The Treuhandanstalt was supposed to privatize some 8,000 companies, but first it had to keep them in business. The all-important East European

The Treuhandanstalt was supposed to sell its companies, but first it had to find out what state they were in. Factory by factory, the Treuhandanstalt saw to the cataloging of stocks, products, acreage, staff number and customers. In the course of the Treuhand's nationwide inventory, East German corporate liabilities became more and more apparent: lakes of toxic chemicals, inflated staffs, managers picked for political loyalty rather than business competence and a lack of accounting and marketing skills. Potential assets remained unknown.

The Treuhand's hardest job was to find personnel to handle all of these tasks. Agency policy is to recruit East German staff members; finding candidates free of past political entanglements and blessed with innate business sense has been a long and not always easy process.

West Germans are, as a rule, highly immobile. The pioneer-

Continued on page 12



Sparking new growth in the steel industry.

Once the Task Has Been Completed, Know-How Will Still Be for Sale

Birgit Bruel, 54, was elected to Hamburg's city-state parliament in 1970. In 1978 she was named minister for economic affairs and transport of the state of Lower Saxony. From 1986 to 1990, she served as the state's finance minister. Mrs. Bruel has been a member of the executive board of Treuhandanstalt since October 1990 and president since April 13, 1991. Here she discusses the agency's task.

Two years ago, the Treuhand was still in the planning stages. Two years from now, if the present rate of privatization is maintained, the vast majority of its work will already be completed. Where is the Treuhand now?

In terms of privatization, at the halfway point. We've privatized some 5,500 companies; we are still administering 5,800 others. We've been adhering to a very rapid pace, and for a very good reason. We believe that the people working at our companies have the right to know what the future holds for them, who their ultimate employers will be. The way we've been able to achieve this speed is by using a wide range of restructuring methods, including management buyouts or management participation models. Our goal

'What we have to share is our new expertise'

is to conclude this aspect of our operations within two, three or perhaps four years.

Looking back over the past two years, what has the Treuhand learned about how to implement a privatization program?

One area that provided us with a good dose of "education" was the real-estate question. At the beginning, we weren't completely aware of how large our companies' property holdings were. We had to learn that potential buyers could display a great interest in taking over a company, while in reality only being interested in the company's real estate. Once we realized that was afoot, we quickly passed new laws and separated out nonessential (to the companies' operations) real estate from the companies themselves. We wrote performance guarantees into our contracts with buyers and made sure they were adhered to.

There was a striking acceleration in the number of companies being privatized in 1991. Is this a reflection of an underlying change in policy?

It is directly related to our increasingly sophisticated knowledge about the privatization process — and what was to be privatized. After all, when we started out with privatization, we didn't know what exactly we were responsible for. There weren't even any reliable lists of the thousands of companies we were entrusted with. As far as property goes, we're still busy surveying and registering it. Throughout the initial phase, we formulated our basic operating policy: our companies' future — and that of their employees — would be better consigned to the private sector.

Our privatization know-how may very well be unique. We can now avail ourselves of everything from standardized contracts to the services of adjusters, tax advisers and management consultants. They have all become privatization specialists in their respective fields. These specialists have learned with us and learned from us.

Are there aspects of this development process that could be applied to other countries?

In the sense of a finished product that could be transferred as a whole to another country, no. Our operating parameters — Germany's legal system and its hard currency — are unique. What we do have to share is our new expertise, and that's precisely what we're doing. We will hold a conference on privatization in Berlin at the end of March. We've invited experts and governmental representatives from the various East European countries to attend. We've told them: "Here are our books, take a look at them and see if there's anything that could be of use to you." Furthermore, we have decided

to found a consulting company targeted at privatization questions and Eastern Europe. The new company will be an independent private-sector entity. Privatization has been coming along so well that quite a few of our staff members will be concluding their activities at Treuhand this year. The new company will be a place where they

30% of applications are from outside Germany

can continue to use their expertise.

At last count, some 250 non-German companies had invested more than 10.5 billion Deutsche marks [\$6.57 billion] in Eastern Germany. What patterns can you discern in international investment in the region?

Let me first say something about those figures. They only include direct investment by non-German companies. For instance, investment by IBM Germany would not be included in that figure, nor would the Opel (a GM subsidiary) project in Eisenach. Secondly, international investment took longer to develop because we weren't in the position to do much marketing abroad at the outset, for a very simple reason: we didn't know what we were selling. Our international marketing really began in April and May 1991. West German companies had traditionally been active in the East, and they therefore had their own sources of information and knew what they wanted to acquire. Today, 30 percent of all applications for our weekly tenders come from outside Germany. We are interested in securing international investment for the exchange of capital, but also because we need the investor's know-how and expertise. This is something that is also true of the Treuhand's own staff. Quite a few non-Germans are working at Treuhand.

How the Transformation Works, or Four Ways Into the Private Sector

It happens some two dozen times a day. A company goes from the public to the private sector, from the Treuhand's stewardship to corporate or individual ownership. If the owners are new to the company, the transaction is termed "privatization"; when the company is going back to its original owners, it is called "reprivatization."

Most companies have a century-old industrial tradition that includes 40 years as part of a VEB (Volkseigener Betrieb, single economic unit) or Kombinat (vertically integrated public sector holding), and two years as a Treuhandanstalt trustee.

During the two years, the Treuhandanstalt has reconfigured the company into an independent, coherent business, audited its assets and liabilities, surveyed its land and helped it set up its corporate accounts. The Treuhand has also clarified restitution claims in numerous cases and freed the company from the crushing debts the earlier regime inflicted on its individual economic units. Moreover, it has provided the incipient company with working capital, first in the form of liquidity credit and then as loans guaranteed by the Treuhand with outside banks.

In a cumulative step, at trade fairs all over the world, bankers' offices in Frankfurt and Tokyo or in the company's factories itself, it has found the company's new owners. These are



drawn from four main sources.

Frequently, the new owners are the company's executives. In a management buyout, the new entrepreneurs tend as a matter of course and of Treuhand policy to be East German. Their companies are generally small — more than 50 percent of the 900 MBOs already set up have less than 20 employees — and are in the construction, service, machine building and specialty engineering sectors. Venture capital funds and public-private-sector holding companies are the new entrepreneurs' partners and providers of capital.

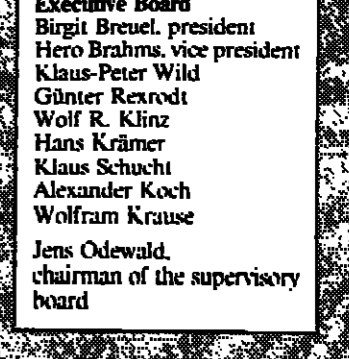
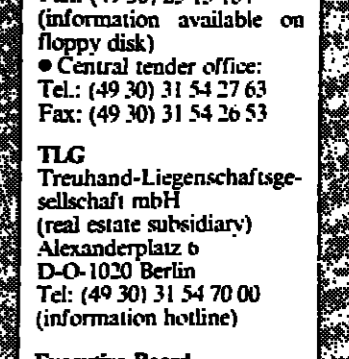
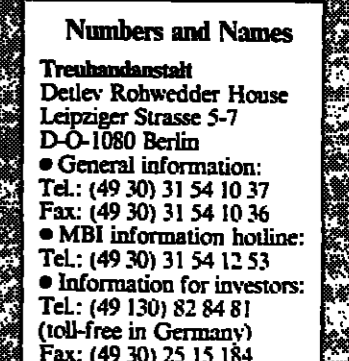
"They face the same difficulties as any other newly founded company," says Treuhand President Birgit Bruel, describing the often difficult rite of passage for the MBOs. Those that succeed in mastering their markets will form, in the words of Hero Brahm, vice president: "Eastern Germany's Mittelstand."

West Germans have long held in high regard the innovative, adaptive powers of the Mittelstand, the squadrons of small and medium-sized companies strategically clustered in

Continued on page 13

Treuhandanstalt

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. Support for the section was provided by the Treuhandanstalt as well as by the display advertiser. It was written by Terry Swartzberg, a business journalist based in Munich.



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For Foreign Investors, A New Playing Field

It was a modest announcement that barely made January's financial pages in Germany and Britain: "English water company takes over Halle's UTAG." Neither the size of the purchase — a guaranteed investment of 16 million Deutsche marks (\$10 million) — nor its sector (water supply and sewage system engineering) lent itself to front-page headlines.

Bigger and, at first glance, much more important international transactions were occurring at the same time. A consortium led by France's Elf Aquitaine had launched a successful 5 billion Deutsche mark bid for a package of Eastern Germany's refineries and gas stations, the second-largest single investment in the former Communist country. After a hard-fought battle, Italy's Riva group had secured control of the Hennigsdorf steel-manufacturing facilities in Brandenburg. Another French-led consortium was planning to turn DEFA, Germany's onetime "Hollywood in Berlin," into a "Media City Babelsberg" complete with

through Western Germany-based subsidiaries, to about one-quarter of total investment. The final, cumulative effect: an East German economic landscape populated by a wide variety of "fusion" companies: British capital funds financing Dresden-managed construction companies, West German and Swedish managers working with East German brewers and American beverage companies setting up East German-owned franchises.

The causes of this synthesis, according to Wolf Schöde, director of press and communications at Treuhand, are both practical and psychological. "The Treuhand is employing an Anglo-Saxon type pragmatism: Try it, and if it works, do it again," says Mr. Schöde. "There's an open, 'Go East'-type mentality investors feel comfortable with." Hero Brahm, vice president of Treuhand's executive board, endorses this view, seeing a "psychological match" between such "creative privatization programs" as management buy-ins and forward-looking finance houses and consultants in London and New York. These include Goldman Sachs and Price Waterhouse, which have been busy facilitating Treuhand's international marketing activities, and Country NatWest Wood Mackenzie, which has set up such venture capital funds as the East German Investment Trust.

In investment and jobs guaranteed, France leads

a Film Studio Theme Park, broadcast facilities and luxury apartments. But Thames Water PLC's acquisition of Eastern Germany's largest environmental services company (whose full name is Mitteldeutsche Wasser- und Umwelttechnik AG), like those of Générale des Eaux, Lyonnaise des Eaux-Dumez and Bonville Pacific, a Salt Lake City power company now building a plant to supply the East German city of Frankfurt an der Oder with electricity on an operator-lease arrangement, have a greater underlying importance. A good portion of Eastern Germany's "public goods" — its water, electricity, waste disposal and possibly even its railroads — will be provided by non-Germans and financed through innovative public and private-sector partnerships.

The foreign presence in this field ranges from the massive and predictable — a 1.8 billion DM business park and leisure-time facility being built by Horsham, a Canadian real-estate developer in the state of Brandenburg — to the unusual and intriguing: a Swiss corse, company, Egli & Co., bought an East German counterpart, Format Miederwaren GmbH. As one might expect, France leads in both investment rankings (jobs guaranteed and total amount), with Switzerland, Britain, Italy, Austria and the United States also placing in the top six.

Foreign investment is growing rapidly. Some 8.5 billion DM was invested in the East by non-Germans in 1991, a doubling of the previous year's figure. This year's total is set to break last year's record by early summer, taking total non-German ownership in Eastern Germany, including direct investment and that done

Conveying this influx of investment to Erfurt, Cottbus and Rostock is a "chain of awareness." It starts with the ubiquitous "Treuhandstalt: Tender for the sale of..." weekly advertisements. These staples of the world's major newspapers give potential investors an initial briefing on some three-dozen companies being offered to the highest bidder. The Treuhand has set up offices in 20 leading financial centers. At these offices, investors are given further, more detailed information on individual properties and on the ins and outs of successful privatization bids. Then comes the salesmanship phase. This can occur on the investor's home ground in the form of a delegation of top Treuhand officials (Birgit Breuel's sales skills recently won her an accolade in the British press for being a "highly capable arm-twister") or can take place on-site in one of the Treuhandstalt's 15 administrative regions or at central headquarters in Berlin.

The upshot? The percentage of non-German responses to the weekly Treuhand tender offers has risen to nearly one-third of the total.



In Search of Realism In the Real-Estate Market

Judging by three German business magazine headlines, East German property is either a bureaucratic nightmare, a gold mine or a long-term loser.

"The real-estate mess: 90 restitution claims per property in East Berlin!" reads the first headline. "Returns of up to 110 percent per year from East German real estate!" reads the second. And the third: "In five years: an oversupply of real estate in the East!"

Which of these statements is true? "All of them," says Günter Himstedt, head of TLG (Liegenschaftsgesellschaft der Treuhandanstalt

24,300 land parcels remain to be sold

mbH), the Treuhandanstalt's real-estate subsidiary, which was founded a year ago.

For historians, lawyers or parties to litigation, the fact that over 1 million restitution claims have been filed for property in Eastern Germany is of more than academic interest. For investors with an encyclopedic knowledge of tax laws and ironclad nerve endings, Dresden and East Berlin are musts on their East German business itineraries. In order to understand how a glut will probably develop out of a legal morass, it is first necessary to look at the history of privatization in the East.

Each wave of privatization has yielded a rationed — and appreciable — supply of real estate in Eastern Germany. The first was the result of "recommunalization," the Treuhand's return of property to the municipalities and regions from which it had been confiscated by the East German government. Many of these properties, including the ones that have never passed out of local control — became the listings in the "little red books," the ample real-estate catalogues published by each state government.

Some 5,500 companies have been privatized in Eastern Germany. With restitution, environment and debt claims clarified, each of these companies can to a varying degree be a factor on the real-estate market. Collectively, these companies constitute the second wave. Depending on the length and stipulations of its agreement with Treuhand, the new company's management can sell or lease part of its land or offer its real estate in a package with its facilities and services.

This last variation, often designated as a "technology park," is popular in Eastern Germany's microelectronics industry. Like their more established counterparts in the West, electronics producers in Jena, Sommerda and Dresden have been struggling with the "cost scissors": rapidly dropping unit prices on the one hand, rapidly rising need for investment capital on the other. With modern facilities and skilled personnel to go along with central locations, the producers have had a measure of success in attracting Western investors.

Then came the third wave. A year ago, the Treuhand decided to follow

these privatized companies' suit. It set up the TLG and authorized it to market all "property not essential for corporate operations," the millions of hectares of commercial land assigned to the individual Treuhand companies but not used in their current operations.

To date, according to a TLG spokesperson, some 700 parcels have been sold at a price of nearly 1.8 billion Deutsche marks (\$1.1 billion). The purchasers have committed themselves to investing another 12.5 billion DM and to employing some 77,000 people.

But this is nothing compared to what is coming. There are reportedly 24,300 more parcels to be sold, including vast tracts once occupied by the Stasi and the East German army, once the restitution claims have been cleared.

This is where Paragraph 3a comes in. This piece of legislative common sense was passed a year ago. According to Manfred Balz, the Treuhand's general counsel, this clause in the general law on claims for the restitution of property stipulates that a sale to a prospective outside investor can be carried out if it can be shown that the sale will result in greater general economic benefits than the return of the property in question to the original owner would produce.

To date, more than 150 Paragraph 3a decisions have been upheld by courts of law, and hundreds more have taken effect without being contested. But it is not so much the number of Paragraph 3a decisions that makes the clause such a powerful weapon, but the simple fact that it exists, and that litigators know that it can be brought to bear. More important, the idea that restitution, like any right in a democratic society, should be delineated by the common good is providing the overwrought East German real-estate market with a badly needed dose of realism.

As the years go by and the legal costs mount, restitution claims will turn into a sideshow, a compendium of petty wars of legal attrition, with little relevance to the full-fledged East German property market.

This is built into the timing of the disinvestment provisions contained in the Treuhand's contracts with investors. Investors are generally compelled to retain their new company's assets, including real estate, for a certain period of time, generally five to seven years. Asset sales can only take place within certain limits.

In three years, the first companies privatized by the Treuhand will be able to dispose of their assets as they see fit. Observers expect an immediate leap in the amount of real estate on the market, driving down often inflated property prices and allowing the Treuhand, which is bound to offer its property to both prospective investors and restitution claimants at fair market value, to lower its real-estate tariffs.

Investment from outside Germany is providing crucial support. With the help of a French consortium, a new Galeria Lafayette department store (above) will open in Berlin. Below, building railway cars in Saxony for the Polish railroad.



Treuhand Stock-Taking

Continued from page 11

ing era of the Wirtschaftswunder of the 1950s is long gone. In its place is a society that abhors the unpleasant and unforeseeable. Two years ago, East Germany had plenty of both, a strong disincentive for managers who had methodically built their careers on handling "doable" challenges.

Nevertheless, the Treuhandanstalt, by appealing to both patriotic

Year Three has gotten off to an auspicious start

and pecuniary instincts, managed to assemble a corps of 5,000 veteran Western "company doctors" to head its 15 regional offices and East Berlin headquarters.

Guiding the Treuhandanstalt through its learning year was the leader of this unprecedented "management transfer," Detlev Rohwedder. Mr. Rohwedder, who had successfully handled one of West Germany's major corporate rescues — that of Dortmund's Hoesch AG — first served as the agency's managing board chairman. In August 1990, he assumed the position of president of the executive board. Mr. Rohwedder was assassinated by terrorists on April 1, 1991. He was succeeded by Birgit Breuel, a Treuhand director who had helped implement Mr. Rohwedder's policy of rapid privatization.

The Treuhandanstalt bustles along at a pace untypical of German official life. One reason may be the nonstop spate of late-breaking events emanating from a society in transition. Another could be a reflection of its directors' international, "let's get it done now" orientation.

Take Wolf R. Klinz, the director responsible for rescuing Eastern Germany's electronics industry. Mr. Klinz was born in Vienna, went to

school in Germany, did his graduate studies in Paris and Vienna, started his career in London, and worked in the United States, Germany, France and Switzerland before coming to the Treuhandanstalt in 1990.

The Treuhandanstalt's accomplishments become even more remarkable considering the time span involved. It was only in the second year of operations that internal infrastructure — adequate staffing, telephones, computer facilities — was finally brought up to normal standards. For all intents and purposes, the agency's international outreach is only 18 months old.

More over, the Treuhandanstalt is an integral part of a society that is itself going through a wrenching modernization. The agency's partners — the state and city governments and their business development agencies — are four months younger than the Treuhandanstalt. East German courts have been struggling with both staffing problems and floods of cases.

Year Three has gotten off to an auspicious start, with major sales in the chemical and steel-manufacturing sectors. Year Four should feature the last major privatization push. By the end of 1995, the "operative phase" (in the words of Birgit Breuel) in the life of the Treuhandanstalt may well be over.

Many of the agency's 3,800 staff members will no doubt take their myriad skills to Eastern Germany's private sector to help the 11,000 new companies through the difficult consolidation and growth phases.

For others, the task will continue. With the Treuhand still a party to hundreds of thousands of lawsuits, Manfred Balz, the Treuhand's general counsel, and his staff have generations of work ahead.

"I don't suppose I'll be there to see it, but it will definitely be a lawyer who will turn off the lights at Treuhand," says Mr. Balz.



Turbines being produced and repaired in a factory outside Berlin.

ADVERTISING SECTION
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be a success.
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In Order to Create More Jobs, First Create the Employers

In its first year and a half of full operation, the Treuhandanstalt has created 1 million jobs in the private sector. "Greenfield" investments of 30 billion Deutsche marks (\$18.75 billion) by the private sector in Eastern Germany produced another 400,000 jobs. Some 750,000 East Germans are reported to be gainfully self-employed.

These figures are notable not only for their raw size — after all, the East German work force is 8 million strong — but also for their possible long-term impact on the East German economy and what they say about the Treuhand's efforts to sell itself out of business.

In October 1990, when the Treuhand was given its full legislative mandate to privatize the

New companies soon started adding staff

East German economy, half of the region's workers were employed in the agency's companies. Today, with privatization in an advanced stage, the figure is 22 percent and falling.

The unemployment figure for Eastern Germany, on the other hand, has been rising rapidly. This closely watched figure masks the fundamental change in East German employment.

According to a recent study by the authoritative financial daily Handelsblatt, total unemployment and underemployment (including people participating in further training and job-creation programs) has declined by 300,000 since July 1991. This trend reflects the first workings of the famed multiplier effect.

Unemployment is up because nominal employment programs are being phased out. De facto unemployment is actually down a third since March 1991, when it crested at nearly 3 million.

There are now some 6,000 industrial, 14,800 retail and perhaps 300,000 trade and service-based new companies in Eastern Germany. These soon started adding on staff. Studies have quantified this multiplication factor at various levels: from 2.5 jobs for every additional person employed by large-scale manufacturing companies to three for small service

companies to seven in the high-tech industries.

The multiplier effect, of course, does not make its presence felt overnight. Even in today's Eastern Germany, it takes more than a year to plan and construct a factory and months to build up a core of customers. The lag between German unity and a turn in the tide of underemployment was nine months; this year's several-thousand-strong crop of new companies and facilities could be making their contribution by the beginning of 1993.

The biggest variable is the multiplier effect associated with public-sector investment. Some

78 billion DM, or over 40 percent of Eastern Germany's 1991 GDP, was devoted to improving the area's roads, telephone lines and "human resources" — a regional and national record.

Exactly when the return on this investment will be felt by both employers and employees is unknown. But one immediate effect can be reported. According to a late-February survey by Munich's authoritative Institut für Wirtschaftsforschung, a majority of East German industrial enterprises view the future with confidence, a sentiment only a declining percentage of West German companies was willing to avow.

Skills honed in Eastern industry can be retrofitted for Western-style business. Here, testing microscopes at Jenoptik.



Four Ways Into the Private Sector

Continued from page 11

the high-tech manufacturing and services sector.

Not that East Germany did not have a kind of Mittelstand of its own. The Kombinate, nominally huge, unified entities, were in fact agglomerations of often highly independent units, each staffed by managers gifted at coping with the dictates of a centrally planned economy. East Germany's leading position in the East bloc stemmed directly from the skills of these managers in improvising solutions.

Further, despite all the upheaval and uprooting in Eastern Germany over the last half century, there was remarkable staff continuity in the companies located in Zwickau, Jena, Leipzig and the other great industrial cities in the East.

The emerging East German industrial Mittelstand consists of these managers, briefed in Western-style marketing and accounting, and their companies. Its retail counterpart is made up of 14,800 restaurants, retail outlets, cinemas and tourist facilities, once state-owned, now privatized and sold (in 80 percent of cases) to East Germans.

Some 500,000 companies have been founded in Eastern Germany since November 1989. The incredible profusion of short-lived video rental shops and fast-food restaurants has abated, leaving an estimated 300,000 viable commercial entities. These are primarily in the skilled trades and professions including everything from plumbing and electrical installation companies to auditorium acoustic experts and organ-tuners to cosmeticians and driving schools — and they form another pillar of Eastern Germany's new economy.

In other cases, executives from other companies perform a management buy-in. "It's what I would have liked to do myself, be part of an 'MBI' in the machine building sector," says Hero Brahm. "It's an area I know, and an area which, if given the proper direction, will definitely be a success."

There are 3,500 small companies with fewer than 250 em-

ployees yet to be privatized. Mr. Brahm lists the companies' assets: "Capital stock now approaching Western levels or better, highly qualified personnel, interesting products." Liabilities: "A crushing lack of markets and knowledge of how to open them up."

Recruited through a nationwide headhunting campaign that featured advertisements splashed across Germany's financial pages, the ex-managers and new proprietors "buy into"

Treuhand stewardship serves to pave the way

single companies, investing their experience, time and a limited amount of capital.

Mr. Brahm expects an immediate, demonstrable gain from this synergy of Western management and Eastern industry. "By taking a few simple steps," he says, "it's entirely possible to take an East German company from 30 percent of potential to 70 percent, and going from 30 percent to 70 percent is a great deal easier than what is expected from a 'company doctor' in the West: taking a company from 90 percent to 95 percent."

In March, the first "Management KG" was launched. This two-level, two-step construction adapts the principals of an MBO to a larger scale.

In this limited partnership, top managers are entrusted with a portfolio of major companies, each with more than 500 employees. The managers' job is to restructure individual companies to the point where they can be privatized, perhaps in the form of an MBO or MBI. Their reward is a share in the privatization proceeds and in subsequent gains from possible stock-market flotations.

Another option for ownership is, of course, the state. State ownership is nothing new to the Staatliche Porzellan-Manufaktur Meissen GmbH. It was founded in 1710 by the elector-ate of Saxony. Since 1990, it has been owned by the state of Saxony, which also has equity stakes in some companies, airports and ports.

After the completion of the "recommunalization" program and drawing on Western models, East German states and communities are now the ultimate owners of transport authorities, business parks and regional development associates. These, in turn, often have considerable industrial and real-estate holdings.

Public-sector ownership is particularly crucial and controversial when it is used to maintain entire sectors whose strategic and regional importance over the long run is deemed to outweigh short-term profit and loss accounting. In Eastern Germany's case, these are the microelectronics, shipbuilding and coal-mining industries.

Then there is the straight takeover. The vast majority of Treuhandanstalt privatizations involve a very direct procedure. A Western company acquires an East German company from the Treuhandanstalt for an agreed-upon price.

But that price, as Manfred Balz, general counsel for the Treuhand, explains, is not only denominated in the marks and pfennigs transferred to the Treuhand's bank accounts, but in other factors, which he cites as the amount of money investors are willing to commit to maintaining the company and improving its capital stock and products, the number of jobs guaranteed and the nature of planned activities.

Afterwards, to discourage "disinvestment" by get-rich-quick speculators, the Treuhandanstalt monitors the new owners' adherence to the promises they made.

"More of a marriage than a simple transaction" is how a West German businessman described his recent takeover of an East German company. The willingness of Western companies to enter into long-term business relationships has both upfront and downstream rewards. The immediate benefit is the opportunity to acquire prime assets on advantageous terms. A continuing benefit is the wide range of credits, grants and other sources of finance available.

Profit from our strong presence in eastern Germany

Since the collapse of the Berlin Wall in 1989, Commerzbank has channelled considerable resources into building up an extensive branch network in eastern Germany. Our strategy of establishing a comprehensive independent presence in the new German states has proved successful.

There are more than 80 Commerzbank branches operating in the former East Germany. By the end of this year, their number will have risen to between 120 and 130.

Through its active involvement in eastern Germany, Commerzbank can help its domestic and international clients profit from the new opportunities in this market.

We are particularly proud that we opted to go our own way. Building on our experience, know-how and extensive human resources, we made a fresh start in eastern Germany. Yet it was also a return to our old roots: prior to the 1940s, Commerzbank maintained more than 160 branches in this region.

Commerzbank is ideally positioned to help you explore and develop the tremendous potential of eastern Germany. Our independent approach, backed by substantial resources, makes Commerzbank a reliable and responsive banking partner.

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MEDIA MARKETS

GM Sticks With Agencies Through Thick and Thin

By Stuart Elliott
New York Times Service
NEW YORK — General Motors wedded to its advertising agencies? Facing multibillion-dollar losses, GM has admitted that it needs to change the way it does business...

The last time the automaker fired one of its national ad agencies, Eisenhower was president.

GM's agencies also "know we're talking with other agencies all the time," Mr. Guarascio said, explaining that GM would occasionally hire other agencies for special projects.

At Lintas Campbell-Ewald, Mr. O'Connor said he was "well aware of the critics of the associations that have existed between the Detroit automakers and their agencies."

The fact that his agency's 78-year relationship with Chevrolet "looks permanent doesn't permeate our relationship," he said.

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Early Birds Catching Worms

Successful Investors in East Europe Didn't Just Arrive

By Tom Redburn
International Herald Tribune
PARIS — When Lolk Le Floch-Frigent, chairman of Elf Aquitaine, goes to Russia these days in search of oil deals...

"Doing business over time, even when there is little business to speak of, counts," Mr. Le Floch-Frigent said in an interview.

Indeed, in looking to the future of Western business in Eastern Europe, what counts most may well be the past.

Siemens AG of Germany first put down business roots in such outpost as St. Petersburg as long ago as the mid-19th century.

In an interview, Philip Guarascio, GM's executive in charge of corporate marketing and advertising in Detroit, passionately supported the penchant of the giant automaker for decades-long relationships with its agencies.

U.S. Tops Ranks of Exporters

Growth in Trade Slows for 3d Year

Compiled by Our Staff From Dispatches
GENEVA — The United States overtook Germany last year as the world's leading exporter, regaining a spot it last held in 1989...

Growth in world trade volume slowed for the third consecutive year, to 3 percent in 1991 from 5 percent in 1990...

U.S. merchandise exports rose 7.5 percent to \$422 billion. The United States remained the largest importer, despite a 1.5 percent decline to \$509 billion.

Germany exports fell 4.5 percent to \$403 billion while imports rose 9.5 percent to \$390 billion.

Asia's newly industrialized countries had the strongest trade growth — between 10 and 20 percent for exports and 8 and 30 percent for imports.

The European Community and the United States are expected to negotiate into Wednesday in a bid to solve a 5-year-old dispute over aircraft subsidies.

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Housing, Output Give New Signs Of U.S. Recovery

By Lawrence Malkin
International Herald Tribune

NEW YORK — More pieces of the budding U.S. economic recovery fell into place Tuesday with the report of February figures showing a strong surge in housing, a pickup in industrial production and moderate consumer inflation.

The questions about the revival were no longer whether and when, but how strong and how long.

"February saw a monstrous rebound, but it is not likely to be repeated. We are more likely to see more moderate gains in the coming months."

Financial markets also seemed to be reacting with prudence to the optimistic statistics.

The Federal Reserve's index of industrial production rose by 0.6 percent, the first increase in five months.

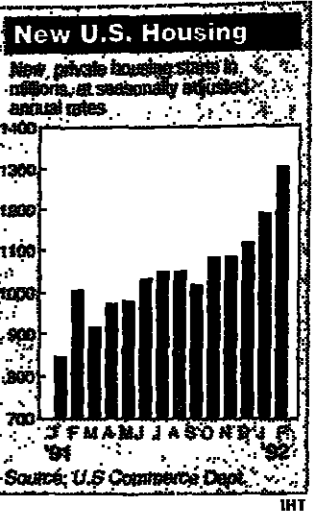
The bond market regained confidence in a low-inflation recovery, and after an initial drop, long Treasury bonds strengthened as their yields moderated.

The U.S. figures put the merchandise trade deficit at \$73.9 billion, down from \$108.12 billion in 1990.

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The European Community and the United States are expected to negotiate into Wednesday in a bid to solve a 5-year-old dispute over aircraft subsidies.



Source: U.S. Commerce Dept.

India Plans to Buy 12 Airbus Jets, Overcoming Concerns About Safety

By Sanjoy Hazarika
New York Times Service

NEW DELHI — India is planning to buy 12 Airbus A-320 planes for its domestic carrier, Indian Airlines, despite the 1989 crash of one such plane that killed 99 people in India and the recent crash of another in France that took 87 lives.

The purchases had been stalled for nearly two years after an A-320 jet crashed in Bangalore. The tragedy triggered concern about the safety of the planes and prompted the government to ground all remaining Airbus of that model.

The decision was disastrous for the state-run Indian Airlines, which suffered heavy losses and disruption of its schedules.

But, he added, "certain procedural directions" were issued to crews flying A-320s, based on preliminary findings of French civil aviation authorities investigating the January disaster.

Investigators said in February that Airbus Industrie should alter some displays, although they did not establish that confusion about them was a cause of the crash.

A judicial inquiry into the Bangalore crash pointed to pilot error and said landing facilities at Indian airports were inadequate.

The European Community and the United States are expected to negotiate into Wednesday in a bid to solve a 5-year-old dispute over aircraft subsidies.

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CURRENCY RATES

Table with columns for City, Bid, Ask, etc. for various currencies like Amsterdam, London, New York, etc.

Other Dollar Values

Table with columns for Country, Par \$, etc. for currencies like Argentine, Brazil, etc.

Interest Rates

Table with columns for Currency, Rate, etc. for Eurocurrency deposits and key money rates.

Asian Dollar Deposits

Table with columns for Term, Rate, etc. for Asian dollar deposits.

U.S. Money Market Funds

Table with columns for Fund Name, Assets, etc.

GOLD

Table with columns for Location, Price, etc. for gold.

Braun Fights Slowdown With Stylish Offerings

By Ferdinand Protzman
New York Times Service

KRONBERG, Germany — Braun AG, which has thrived around the world by melding its distinctive designs with Gillette Co.'s marketing prowess, is counting on a combination of new products and refinements of best sellers to carry it through the current global economic malaise.

Weak growth might not seem much of a worry at first glance for the maker of kitchen appliances and personal-care devices.

Its sleek high-tech designs have earned many of its electric shavers and other appliances places in the New York Museum of Modern Art's permanent collection.

Mr. Lagarde said Braun had an advantage in being the only small-appliance company selling worldwide under one brand name.

"Look at our competitors," he said. "Philips from the Netherlands is known as Norelco in the United States. Matsushita sells under the names Panasonic and National. Moulinex of France also sells its products under the Krups name.

Braun's latest line of coffee makers, called Aromaster, incorporates features like a lid that keeps in aroma and prevents heat loss, as well as a patented sensor that keeps the coffee at a specific temperature.

Ken Jantz, a television producer in Berlin, owns a Braun travel alarm clock and a coffee maker. But his favorite is a Braun pocket electric razor that he takes with him on his travels.

An array of Braun products line Mr. Lagarde's office walls. Be they food processors, hair driers or clocks, Braun appliances are either jet black or snow white, with austere, rounded lines that emphasize function over form.

Mr. Lagarde said Braun's profit for the 1991 financial year was up 21 percent from the previous year's \$118.5 million.

The United States is Braun's third-largest market, trailing Ger-

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MARKET DIARY

Strong U.S. Data Fail to Lift Dollar

Compiled by Our Staff From Dispatches
NEW YORK — The dollar fell Tuesday despite further evidence of economic recovery in the United States.

Minneapolis thought "we may have completed something on the upside." He said, "The aggressiveness of the sell-off kind of worries me."

Foreign Exchange

put, led to early dollar buying that peaked at 1.6620 Deutsche marks before giving way to profit-taking.

Larry Kantor, head of European economics for J.P. Morgan in London, spoke of a shift in attention away from recovery prospects in the United States and toward interest rate prospects in Germany.

RECOVERY: Further Signs

(Continued from first finance page) brought out their spring clothing lines last month in mild weather.

Stocks Forge Ahead

The Dow Jones industrial average, which inched up 0.45 of a point Monday, closed Tuesday with a 19.68-point gain, at 3,256.04.

WORLD STOCK MARKETS

Table of world stock markets including Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Paris, Sao Paulo, Singapore, Stockholm, Tokyo, Zurich, and others.

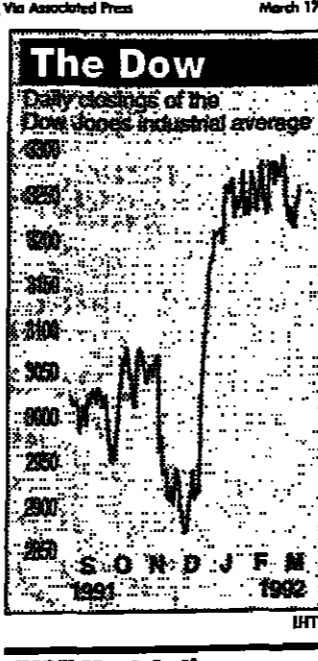


Table of NYSE Most Actives with columns for Volume, High, Low, Last, and Change.

Table of AMEX Most Actives with columns for Volume, High, Low, Last, and Change.

Table of NASDAQ Most Actives with columns for Volume, High, Low, Last, and Change.

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Table of Amex Diary with columns for Advancing, Declining, and Total Issues.

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Table of WHEAT (KCBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN MEAL (CBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (CBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (KCBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (M&E) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (S&W) with columns for Month, High, Low, Last, and Change.

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Macy Drops to a \$671 Million Loss
NEW YORK (UPI) — R.H. Macy & Co., which has been operating under Chapter 11 bankruptcy protection since January, reported Tuesday a net loss of \$671.6 million for its second quarter, ended Feb. 1.

AT&T to Bring Kazakhstan On Line
NEW YORK (Combined Dispatches) — American Telephone & Telegraph Co. said Tuesday it had won a multi-million dollar order to install 1 million digital telephone lines in Kazakhstan over 10 years.

Volkswagen Cuts More Jobs in U.S.
AUBURN HILLS, Michigan (Bloomberg) — Volkswagen of America Inc. will cut about 300 of its 1,200 U.S. jobs by May 1 to reduce costs, a company spokeswoman said Tuesday.

U.S. Newspaper Outlook Brightens
NEW YORK (AP) — Major U.S. newspaper companies are showing signs of recovering from what may have been the industry's deepest slump, Standard & Poor's Corp. said Tuesday.

Court Backs General Dynamics Sub
RICHMOND, Virginia (AP) — A federal appeals court upheld Tuesday the U.S. Navy's decision to award a Seawolf submarine contract to General Dynamics Corp.'s Electric Boat shipyard in Groton, Connecticut.

For the Record
The Chicago Board of Trade said it would reduce its night session by 45 minutes, from 6:20 P.M. and 9:05 P.M., beginning April 5.

Table of U.S. FUTURES with columns for Month, High, Low, Last, and Change.

Table of WHEAT (CBT) with columns for Month, High, Low, Last, and Change.

Table of WHEAT (KCBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN MEAL (CBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (CBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (KCBT) with columns for Month, High, Low, Last, and Change.

Table of SOYBEAN OIL (M&E) with columns for Month, High, Low, Last, and Change.

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NASDAQ Tuesday's Price... and other financial news snippets on the far right edge of the page.

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NASDAQ

Today's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Table with columns for Stock Name, Price, and Change. Includes entries like IBM, Microsoft, and Intel.

Table with columns for Stock Name, Price, and Change. Includes entries like AT&T, General Electric, and Ford.

Table with columns for Stock Name, Price, and Change. Includes entries like Johnson & Johnson, Merck, and Pfizer.

Section header for the first column of news, likely related to the NASDAQ data.

Text block in the first column, possibly a continuation of the market report.

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Section header for the second column of news.

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Text block in the second column.

Poor U.K. Data Jolt Tory Campaign

Kevin Gardiner, economist at the brokerage S.G. Warburg... The government's first week of election campaigning suffered a double blow on Tuesday when figures showed a sharp fall in Britain's industrial output and a higher-than-expected government deficit.

Wimpey Sinks Into Loss
LONDON — George Wimpey PLC, the British building concern, posted Tuesday a pretax loss of £16.1 million (\$27.6 million) for 1991 as recession battered the construction industry.

Federal Express Ends Intra-European Services

LONDON — U.S.-based Federal Express Corp. is ending its intra-European services, selling many of the operations to TNT Ltd. of Australia and Securicor Omega Express Ltd. of Britain and cutting about 6,600 jobs, more than half of them in Britain and Ireland, the company said Tuesday.

BANKS: Hongkong Bank Drifts Further West With Plan to Buy Midland

(Continued from page 1) Morrison, an analyst with Kleinwort Benson Securities... Although for several years it has been the most troubled of Britain's Big Four banks — burdened by bad debts in Latin America and in its own backyard — Midland is also thought to be the only one that could be purchased.

Investor's Europe

Table showing stock indices for Frankfurt, London, and Paris. Includes columns for Index, Tuesday Close, and % Change.

Very briefly:

- Isoleas PLC, which led the management buyout of the Gateway supermarket chain in 1989, will sell its Hermans sporting-goods chain in the United States and float its F.A. Wellworth stores in Northern Ireland to reduce the debt incurred in the £2.1 billion (\$3.6 billion) buyout.

Service to and from North America will not be affected by the withdrawal, which will cause the loss of 6,600 jobs.

Financial details of these transfers were not revealed. The reorganization is not expected to affect package shipments between the United States and Europe, said Thomas R. Oliver, vice president for worldwide customer operations.

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Advertisement for DUNN & HARGITT INT'L GROUP, featuring Managed Futures Accounts and investment services.

INTERNATIONAL DOLLAR RESERVES

Advertisement for International Dollar Reserves, managed by International Dollar Reserves Management Company.

PAST: The Most Successful Investors in Eastern Europe Began Long Ago

(Continued from first finance page) EC and Eastern European affairs. "We believe it is not the big ones who beat the small ones; it is the fast ones who beat the slow ones."

burden in taking over the antiquated, sprawling factories inherited from the Communist system. "We've had to cut off all the parts that have nothing to do with manufacturing turbines," said Mr. von Koeber, who is also chief executive of ABB's German subsidiary.

reacquiring a soda ash factory it once owned in former East Germany, plans on building a new chemical plant in Poland because the costs of modernizing any existing operation are just too great.

said. "We are a federation of companies, most welcome as representing the world rather than any particular country. We are really just as much at home in Poland as in Switzerland."

'Doing business over time, even when there is little business to speak of, counts.'

Loik Le Floch-Prigent, chairman of Elf Aquitaine

At the moment, even the most daring of Western businesses active in Eastern Europe remain hesitant to plunge headfirst into the debris of the old Soviet Union. "In Russia and Ukraine, nothing is running," said Mr. von Koeber.

NYSE Tuesday's Closing

Table listing NYSE stock prices for various companies including AIG, ALC, AOC, etc.

AMEX Tuesday's Closing

Table listing AMEX stock prices for various companies including AIG, ALC, AOC, etc.

AMEX Tuesday's Closing

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AMEX Tuesday's Closing

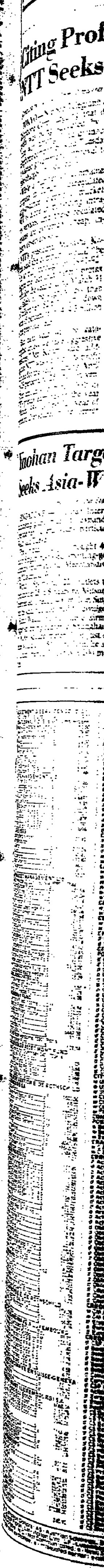
Table listing AMEX stock prices for various companies including AIG, ALC, AOC, etc.

AMEX Tuesday's Closing

Table listing AMEX stock prices for various companies including AIG, ALC, AOC, etc.

BEARER CERTIFICATES IN FOREIGN CURRENCY. Guaranteed by the Government of Pakistan. 5-Year Bearer Certificates in U.S. Dollars, Deutsche Marks, Pound Sterling and Japanese Yen. Rates of annual return on Certificates denominated in: Pound Sterling: 11.75%, Deutsche Mark: 10.25%, US Dollar: 8.75%, Japanese Yen: 7.75%.

Table listing AMEX stock prices for various companies including AIG, ALC, AOC, etc.



Citing Profit Squeeze, NTT Seeks Rate Relief

Comptroller of Public Accounts... TOKYO—Nippon Telegraph & Telephone Corp. is arguing that its profit was squeezed by a price war among long-distance telephone companies...

A 2-Year Slump Is Forecast in Japan

Brokers Face Cost Cuts

TOKYO — Japan's economic slump is likely to last for two years before business recovers from the speculative orgy of the 1980s... TOKYO — Japan's ailing brokerages have been slow to trim operations...

more like a crisis atmosphere, rumors spread that the government would intervene to ensure that the growing nervousness did not turn into a panic...

Investor's Asia. Table with columns for Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225. Includes line graphs for each index and a table of closing and previous closing prices.

Yaohan Targets China, Seeks Asia-Wide Growth

SINGAPORE — Yaohan International Co., the Japanese merchandising giant, plans to expand its Asian network aggressively over the next several years... The company has just bought 40 percent of World of Sports...

Market's Limp Rebound

James Sturgis of The New York Times reported from Tokyo: Government and business leaders offered various solutions Tuesday for the stock market's weakness...

China Models Hainan Trade Zone on Hong Kong

SINGAPORE — A \$25 million free-trade zone to be built on China's southern island of Hainan by Japanese-led investors will be modeled after Hong Kong's free-wheeling economy...

Very briefly:

- Hyundai Group was warned by South Korea's five major economic organizations to stay out of the general election campaign... Thai Airways International Ltd.'s offering of 40 million shares at 60 baht (\$2.34) to small investors was expected to be oversubscribed...

INTERNATIONAL FUNDS. Table listing various investment funds with columns for fund name, currency, and price. Includes sub-sections for 'Other Funds' and 'REUTERS'.

OBSERVER

Usuality as Usual

By Russell Baker

WASHINGTON — What was interesting about Paul Tsongas was how uninteresting he was. This raised a happy possibility. For years presidential politics had been a closed class, which is to say, everything that could be learned about it had been learned long ago. It was a finished system whose mechanics were so thoroughly understood that it was left basically in the hands of engineers.

The engineers, usually professionals without political philosophy, created and operated the painted talking dummies which, as had been scientifically demonstrated, made the only plausible or, to use the professional jargon, "electable" candidates.

As illustrated most recently in Bush campaigns, the engineers take polls to find out what the public wants to hear, then build the desired noises into their creation. ("Message: I care.") Since they are creating an image and not portraying a human being, they garnish it with vivid pictures staged to become vast numbers of entertainment-glutted people prone to instant boredom.

The result is to make the modern presidential campaign seem as depressingly inevitable as a Sunday afternoon in February. The thing is all inescapable, mind-numbing, soul-grinding usualness.

No wonder fewer people vote in each passing election. The usuality of the business is so deadening to the senses that people tend to forget that what's really going on is not just a performance by the usual suspects but also a vital struggle to decide who gets the lion's share of the national purse.

The unusualness of Tsongas threatened to let fresh air into this year's proceedings, for he was an insult to every engineer's idea of what a candidate must look like, sound like and be like. Telegraphically, for example, he was out of the question.

Since 1960 when the Kennedy people transformed the churchly word "charisma" into a tacky synonym for "glamour" there had never been a candidate with less of the holy stuff of celebrity than Tsongas.

He looked like a professional mourner. His voice broke in the wrong places, his eyes rolled at the wrong time, his smile was a catastrophe, a smile he might have bought from a shady used-smile dealer.

As if that weren't bad enough, he had had cancer. Cancer! We were scarcely a generation away from a time when cancer was such an unspeakable word that Americans wouldn't let their newspapers reveal that next-of-kin had died of it.

In 1976 a political reporter dismissed Morris Udall's presidential candidacy by saying, "America isn't ready to be governed by a one-eyed divorced Mormon." Now Tsongas was asking America to accept cancer.

Defying engineering, Tsongas's early successes provided a little optimism about a political system that seemed in danger of mummification. Perhaps there was more to making a president than the engineers suspected. If Soviet communism could collapse in an afternoon like the one-hoss shay, might American politics also slough off the old usual ways?

The answer seems to be no. Clinton's successes seem to bear us relentlessly back toward usuality. He is the classic engineering product: a smile he must have been born with, seductive Southern accent, skill in the usual political mechanics admired by the kind of reporters whose enthusiasm can help turn the usual candidate into a "front-runner" fat with headlines.

Beyond the Gender Wars: What Men and Women Say

By Henry Allen

PRINCETON, New Jersey — Let's say that Deborah Tannen has written the book of the '90s—not too risky a claim because we've only had two years of the '90s and the book has spent most of them at the top of the best-seller list. The name of it is "You Just Don't Understand: Women and Men in Conversation."

"HE: I'm really tired. I didn't sleep well last night." "SHE: I didn't sleep well either. I never do." "HE: Why are you trying to belittle me?" "SHE: I'm not. I'm just trying to show that I understand!"

On and on, the firefights and ambushes of gender conflict, life itself. The book answers a lot of questions we've been asking so long that we've forgotten we ask them.

Why can't a woman tell her husband about what a jerk her boss is without him coming up with the equivalent of the Marshall Plan for restructuring her career? (She wants sympathy, he feels she's asking him to solve a problem.)

Why are men less likely than women to ask directions when they're lost? (Men value their independence more, and don't like to get into exchanges where they feel they're one down. Women don't worry so much about being one down because they value communication more than hierarchy.)

Tannen will say: "This is the most common response that I get from people, overwhelmingly: 'I couldn't believe that I saw myself on every page, I couldn't believe it, I thought my wife and I were the only ones who had that.' And it was spooky that they read it in a book. I mean I was told this by people in other countries."

A professor of linguistics at Georgetown, currently in residence at the Institute for Advanced Study in Princeton, she is a tallish, demure woman of 46. She is a New Yorker most of whose Brooklyn accent was harnessed out of her by teachers at Hunter College High School. She has a small bright smile, and on one recent afternoon in the institute cafeteria, she wore a bulky cotton sweater, a plaid shirt, big earrings and two rings. She looked like a shrink dressed for Saturday morning patients.

Being at the institute is one of the larger honors that academics offer, sort of the academic equivalent of Valhalla with a big lawn. Einstein spent years there, safely behind the crape-curtained curfew of faculty-meeting frustrations. Even in the cafeteria you feel the calm austerity of the place, a transcendent matter-of-factness that seems almost blithe—Einstein's matter of Einstein against the wall, the sixth-century Antioch mosaic, the scholars with a provisional and birdlike air about them, sitting in Brenner chairs, paying no attention to their food as they eat it, and talking with vaguely inappropriate gestures.

Tannen talked a lot about her theories, but she also betrayed the cool acuteness of a true listener, a watchfulness that may have arisen from the childhood case of

mumps that left her partly deaf. She extracted a hearing aid from under her hair and held it in her hand. "Because I'm hard of hearing, I always learned to listen very carefully and to pick up cues from everything other than what people said because I often missed the words that they said. And, you know, in some sense you could say that's really what I've made a living out of, by picking up all the subtle things other than the actual words."

Reading Tannen's book is a little like reading a novel masquerading as linguistic analysis—all these conversations, analyzed with a sort of 18th-century cheer and intensity, and framed with aphoristic certainties: "Each person's life is lived as a series of conversations." And a wonderful first line in Chapter 1: "Many years ago I was married to a man who shouted at me."

Except that if it's a novel, the major character is you. That's the feeling. Much about the book would seem to work against its huge success. After decades of feminist bashisms, you might look at that title and see another tract on male failure to care, to share, to cuddle, to huddle; or another bit of pop-psych secular evangelism about victims, survivors, the child within, dependence, independence, co-dependence.

But no. There's no 10-point checklist, no 12-step program, no tips for better living. Most of her fan mail is from men too—she refuses to take sides in the gender battle. And Tannen not only has a million copies of this book in print—a million—she is also in residence at the Institute for Advanced Study.

Unlike the purveyors of self-help woeology, Tannen has done the research. She has a doctorate in linguistics from Berkeley, she's a professor at Georgetown, she has a 16-page academic résumé, she writes papers with titles such as "Interactive Frames and Knowledge Schemas in Interaction," and she bates the endless demands for her advice, her appearance on television.

Ah, but integrity and scholarship have rarely sold well in America unless accompanied by a foreign accent, preferably German, or by the sort of dramatic persona that Tannen utterly lacks. But here she is, a best seller in the United States, Germany, the Netherlands and England.

In 296 pages about subtleties and intonations and meta-messages between the sexes, there is no sex whatsoever. "I suppose you're right, I don't tend to think about it," she said. She giggled.

How nice to read a book about a world where men and women can actually talk, argue and so on as if they were wandering through the garden in a Jane Austen novel. How nice to be freed at last from the dicta of Freud, who after all the popularizers got through seemed to be telling us that everything was sex, sex, sex.

In Tannen's garden, there is no malice, either, no snide implications, no ugly undertones. Instead, there's more of an atmosphere of cozy befuddlement, like some happy squallor out of Dickens, Mr. Peggotty and his family around the hearth, say.

"Because I say everybody means well?" she asked. "I



Tannen doesn't take sides in the battle of the sexes.

mean well, there are people who are out to get you, but I say that's not news. What I spend my time doing is what I think needs to be done. In other words, nobody needs me to tell them that their partner is sometimes a creep. But what I feel is news and what needs to be demonstrated is that they don't always intend that effect."

In their general way, Tannen's book frees us from a notion of human discourse that was about as useful as Shaker furniture is comfortable, though both are to be admired for their gorgeous simplicity. The point is, plain speaking is not possible. There is always spin on the ball. Any linguist knows this.

A lot of the self-help books and psychology have misled people that way," Tannen said, "because they've said, 'Just talk about it. Just tell them what you feel, and then there won't be any problem.' So there has been a high level of frustration. The psychological thing has pretty much taken over the public mind as an explanation of human behavior. So I feel, yeah, part of it is that by taking a linguistic approach, it's new."

Finally, she has escaped the political correctness police and said quite simply that men and women are different. She escaped by refusing to say whether it's nature or culture that makes them different. She just deals with what she's studied as a linguist. Writing about videotapes of boys talking with boys and girls talking with girls, she says: "I had the feeling I was looking at two different species." And further on: "Gender is a category that will not go away."

PEOPLE

N. Y. Woman Claims Mayakovsky as Father

Patricia J. Thompson says she met her father only once, when she was 3. Thompson, a professor of women's studies at Lehman College in New York, says she is the only child of Vladimir Mayakovsky, the celebrated poet of the Bolshevik Revolution, born after a romance in 1925 between Mayakovsky, then visiting New York, and her mother, Elezaveta Petrovna Siebert, a member of the Russian gentry who had fled her homeland. Her mother's husband, an Englishman named George Jones, "brought me up as a daughter," she told New York magazine. She revealed her parentage in an interview with a Soviet journalist last April, but came forward again after an article in Vanity Fair referred to Mayakovsky's having had an illegitimate daughter with a Russian-American woman. "I was incensed by that," she said. "I am his natural or biological daughter. I am also a feminist, and we are moving away from those kinds of pejorative, patriarchal terms."

David Bowie, Elton John and George Michael will headline an AIDS benefit tribute to Freddie Mercury, who died of the disease last year. The April 20 concert at Wembley Stadium will feature Annie Lennox, Seal, Roger Daltrey, Ian Hunter, Robert Plant, Paul Young, and U2 playing live from California. Mercury's Queen colleagues Brian May, John Deacon and Roger Taylor will star. Mercury died Nov. 24 at age 45, the day after he announced he had AIDS.

Mick Jagger is to become a grandfather at age 48, a few months after the birth of his fifth child. Jade, the 20-year-old daughter of the Rolling Stones singer and Bianca Jagger, said in an interview published in London Tuesday that she was expecting a baby in June.

Woody Allen says his reputation as an intellectual is bogus. "People always think I'm being facetious when I say it was only because of my glasses," he told the Los Angeles Times. "I've just never been an intellectual but I have this look. I would be very disappointing in a conversation with a group of intellectuals."

TODAY'S BUSINESS MESSAGE CENTER. Appears on Page 10.

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THE FIRST HUNDRED YEARS. The unique, full-length history of the world's first international newspaper. Author Charles Robertson, a professor of government at Smith College in Massachusetts, spent several years combing through the paper's archives, interviewing its personnel (both active and retired) and then assembling a vast range of materials into a history that reads like biography—the life story of a venerable but still rapidly changing institution.

JPMorgan